

**THE BUDGET OF  
RAMOTSHERE MOILOA LOCAL MUNICIPALITY**



**2017/18 TO 2019/20  
MEDIUM TERM REVENUE AND EXPENDITURE  
FORECASTS**

# **SCHEDULE A**

## **ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY**

## **Abbreviations and Acronyms**

BSC Budget Steering Committee

CAPEX Capital Budget/Expenditure

CFO Chief Financial Officer

CPI Consumer Price Index

DBSA Development Bank of South Africa

DoRA Division of Revenue Act

FBS Free basic services

GAMAP Generally Accepted Municipal Accounting Practice

GDP Gross domestic product

GRAP General Recognised Accounting Practice

IDP Integrated Development Plan

KPA Key Performance Area

KPI Key Performance Indicator

LED Local Economic Development

MEC Member of the Executive Committee

MFMA Municipal Finance Management Act

MIG Municipal Infrastructure Grant

MM Municipal Manager

MSA Municipal Systems Act

MTEF Medium-term Expenditure Framework

MTREF Medium-term Revenue and Expenditure Framework

NGO Non-Governmental organisations

NT National Treasury

OPEX Operating Budget/Expenditure

PMS Performance Management System

PPE Property Plant and Equipment

PT Provincial Treasury

SALGA South African Local Government Association

SDBIP Service Delivery & Budget Implementation Plan

SMME Small Micro and Medium Enterprises

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## **PART 1 – ANNUAL BUDGET**

### **1.1 Mayor's Comments on the budget**

It is truly an honour and privilege for me to be standing in front of you all and presenting the 2017/18 budget, the first for the fourth administration of municipal governance. This budget comes at a time when our country celebrates the life and legacy of comrade Oliver Reginald Tambo who would turn 100 years this year, had he lived. He was one of the dedicated stalwarts and we ought to take after him in fighting endlessly for improving the lives of our people.

It's been ten months into office since the August 2016 Local government elections and our communities are expecting services as per our much publicised manifesto during the election campaigns.

Honourable Speaker, I thought that before presenting the budget I should present to this house a highlight of the positive progress we have made thus far.

Honourable speaker, The Premier of Bokone Bophirima made a pronouncement during the state of the Province address for the departments (DLG&HS, FEED) and municipalities must embark on rates and taxes payment campaign as well as develop and implement Revenue Enhancement strategies. I believe that in Ramotshere Moiloa we have embarked on the campaign and it yielded positive results. I want to urge all of us to continue with the exercise because it will boost our revenue collection. I also need to bring your attention on the fact that the revenue enhancement program is point 3 of the 10 point plan.

### **Disaster Management**

The province experienced above normal rainfall during January-February 2017 which resulted in flooding. Six drowning fatalities were reported and confirmed across the province and Ramotshere Moiloa was affected. The floods damaged houses, roads and bridges resulting in schools

and clinics becoming inaccessible. We are aware that disaster management is the responsibility of the district municipality but it should be everybody's business. When disaster strikes our area in future we need to offer our support to the district officials who are based within our jurisdiction.

We have since met as various stakeholders and assistance was provided to those who were affected even though it was not sufficient. We have also established a task team which will work together during occurrence of disaster incidents.

### **Most improved award**

In October last year, we received recognition by CIGFARO for the most improved performance in audit outcomes and risk management for 2014/15 financial year in Durban. The award was received based on the Auditor General's Audit outcome for the 2014/15. The main objective of the award was to encourage the municipalities to do more to get clean audit continuously and not regress. The achievement came shortly after the Local Government elections; thus proving that indeed the 16 years of developmental local government is worth celebrating and the baton must be carried forward.

Furthermore we received recognition in the province during the launch of the first ever Awards in the province named after one of the stalwarts of freedom. These awards are called Moses Kotane Municipal Performance Excellence Awards and will be held on an annual basis. The Executive Mayors and Mayors have already signed the pledge during the inauguration of these awards to commit their municipalities to participate fully in all the categories of Back to Basic Ten Point Plan.

### **MIG**

We would like to report that our municipality has improved on overall spending of this grant and that by the end of March this year we had spent 70% of the allocation.

### **Waste Management**

Honourable Speaker, waste management and cleanliness is a serious cause for concern in many municipalities.

To address this concern the Department of Local Government & Human Settlements has partnered with North West Development Corporation to enrol a number of municipalities in waste management programme to equip them on alternative waste management methodologies which protect the environment and further create employment in VTSD areas. Ramotshere Moiloa has been awarded an opportunity to submit 19 candidates to be enrolled on the programme and the recruitment process is expected to unfold in due course. We have in the past managed to enrol 14 candidates in the youth in waste programme through Tholwana Consultants and have been accredited for all the training they underwent.

### **Local Economic Development**

As per our Honourable Premier's pronouncement on growing local economies, it was agreed that the Local Economic Development (LED) be placed in the Mayor's Offices in order to provide leadership and enhance industrialisation to ensure radical economic transformation in our lifetime. It is expected that at least 5% of the Municipal Infrastructure Grant should be spent on the LED and Community Services projects. We hope that this initiative will indeed assist in the implementation and realization of the VTSD vision.

Minerals within our municipality

RHR

Saamtrek-Saamwerk

ACT and Tributaries

**Cllr PK Mothoagae**

**Mayor**

**Ramotshere Moiloa Local Municipality**



## 1.2 Council Resolutions

During an ordinary council meeting of the 06<sup>th</sup> day of June 2017, the Council of Ramotshere Moiloa Local Municipality in their Council Chambers will consider the annual budget of the municipality for the financial year 2017/18 and the MTREF.

1. It therefore recommended that the Council of Ramotshere Moiloa Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- (b) Electricity tariffs for 2017/18 capped at 1.88% as per NERSA guidelines. A note should be taken that no formal approval has been received from NERSA at this stage. Should the approval differ from the proposed 1.88%, then the tariffs will be submitted to council for reconsideration.
- (c) Water tariffs, which increased by 6.1%.
- (d) Tariffs structure for property rates which increased by 6.1%.
- (e) 6.1% increment for all other services such as sanitation, refuse removal, public amenities, deposits, etc.
- (f) Table A1 Budget Summary
- (g) Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)
- (h) Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)
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- (o) Table A7 Budgeted Cash Flows
- (p) Table A8 Cash backed reserves/accumulated surplus reconciliation
- (q) Table A9 Asset Management
- (r) Table A10 Basic service delivery measurement

2. The following budget related policies for the budget year 2017/2018 be approved:

- 1.1. Indigent Policy
- 1.2. Rates Policy
- 1.3. Tariff Policy
- 1.4. Credit Control and Debt Management Policy
- 1.5. Cash Management and Investment Policy
- 1.6. Supply Chain Management Policy

- 1.7. Budget and virement policy
- 1.8. Assets Management Policy
- 1.9. Unauthorised, irregular, fruitless and wasteful expenditure policy
- 3. That a copy of the budget schedules and supporting documents attached together with the reviewed IDP herewith be published as per section 22 of the Municipal Finance Management Act
- 4. In terms of Sec 24(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Municipal Systems Act 32 of 2000 as amended, the recommended tariffs for the supply of water, electricity, waste services, sanitation services and property rates that were used to prepare the estimates of revenue by source, are approved for implementation with effect from 1<sup>st</sup> July 2017.
- a) The attached measurable objectives for the annual budget for each year of the MTREF
- b) The approved budget be submitted to the Provincial and National Treasury within 10 days of approval.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. A critical review was also undertaken of expenditure on non-core and 'nice to have' items.

The publishing of the regulation on the Standard chart of Accounts (SCOA) on 22 April 2014 will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003, and municipalities are expected to actively start with the process for the preparation of the implementation of this reform for which the target date is 01 July 2017. The mSCOA Regulations aim to ensure a standardised and uniform reporting of financial transactions of municipalities. The following are extracts from the preamble to the regulations:-

The regulations contain amongst others, segment and classification framework for SCOA, minimum business process and system requirements and responsibilities of municipal councils and accounting officers.

The segments classification consists of the following:

*Funding segment* – This segment relates to the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending.

*Function segment* - This segment provides for the classification of the transaction according to the function or service delivery objective and provides for the standardisation of functions and sub functions across local government.

*Municipal Standard Classification Segment* - This segment provides for the organisational structure and functionality of an individual municipality, which is not prescribed.

*Project Segment* - This segment provides for the classification of capital and operating projects on the basis of whether it relates to a specific project and if so, the type of project.

*Regional Indicator Segment* - This segment identifies and assigns government expenditure to the lowest relevant geographical region within which the intended beneficiaries of the service or capital investment are located.

*Item Segment* - This segment provides for the classification of item detail in the presentation of the financial position, performance and cash flow according to the nature of the transaction either as revenue, expenditure, asset, liability or net asset.

*Costing Segment* - This segment provides for a classification structure for secondary cost elements with reference to departmental charges, internal billing etc. and acts as a cost collector in determining inter alia total cost of services.

National Treasury's MFMA Circulars No. 78,79 & 82, 85 and 86 were used as guidance for the compilation of the 2017/18 MTREF. Some of the main key challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Ever aging water, roads, sewage and electricity infrastructure;
- Non-payment of accounts;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities of the municipality;
- Wage increases for municipal staff that have exceeded headline consumer inflation in the past;
- Lack of adequate and sufficient office space or office accommodation for the municipality; and
- Maintaining a positive cash flow.

### **1.3.2 The Municipality's Budget Structure**

A vote is one of the main segments of a budget. The structure is for reporting requirements and links the accounting performance both to the IDP and responsible officials. The high level budget structure for Ramotshere Moiloa Local Municipality as included in the budget documentation is shown in the table below:

BUDGET VOTE	VOTE DESCRIPTION
Vote 1	Executive and Council
Vote 2	Finance and Administration
Vote 3	Planning and Development
Vote 4	Technical Services
Vote 5	Community and Social Services
Vote 6	Public Safety
Vote 9	Sports and Recreation

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

1.4 Annual Budget Tables

The following paragraphs present the nine main budget tables (Table A1- A9) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes (Narration)*.

### 1.4.1 Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Original Budget	Adjusted Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
	Audited Outcome	Audited Outcome	Audited Outcome					
<b>R thousands</b>								
<b>Financial Performance</b>								
Property rates	19 848	21 843	42 358	24 700	29 934	44 069	46 062	47 461
Service charges	43 810	60 790	64 106	73 292	78 867	104 723	107 964	116 551
Investment revenue	99	741	1 229	152	103	160	165	170
Transfers recognised - operational	92 810	108 933	141 529	133 599	136 592	142 025	157 572	166 688
Other own revenue	21 952	13 999	11 820	28 355	13 838	26 810	42 408	39 110
	178 519	206 306	261 043	260 097	259 334	317 788	354 171	369 980
<b>Total Revenue (excluding capital transfers and contributions)</b>								
Employee costs	81 433	104 614	115 284	116 377	121 880	120 699	127 626	134 901
Remuneration of councillors	10 707	12 190	11 553	15 495	11 746	13 725	14 685	15 714
Depreciation & asset impairment	27 776	38 415	39 282	40 000	40 000	30 000	31 500	33 075
Finance charges	1 309	2 014	5 823	1 285	2 055	580	585	600
Materials and bulk purchases	39 715	41 428	49 671	59 198	52 910	53 003	60 687	61 184
Transfers and grants	-	-	-	11 054	6 375	1 091	-	-
Other expenditure	2 148	88 946	72 650	49 829	72 261	92 537	115 865	112 824
<b>Total Expenditure</b>	163 088	287 608	294 262	293 238	307 227	311 634	350 949	358 298
<b>Surplus/(Deficit)</b>	15 431	(81 302)	(33 220)	(33 141)	(47 892)	6 154	3 222	11 682
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	59 303	53 387	65 375	31 914	35 460	60 033	44 790	43 933
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	74 734	(27 915)	32 155	(1 227)	(12 432)	66 187	48 012	55 615
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	74 734	(27 915)	32 155	(1 227)	(12 432)	66 187	48 012	55 615
<b>Capital expenditure &amp; funds sources</b>								
<b>Capital expenditure</b>	66 373	48 170	55 146	33 533	35 082	66 187	48 012	55 615
Transfers recognised - capital	60 580	47 468	52 732	31 914	33 732	60 033	44 790	43 933
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	5 793	702	2 414	1 619	1 350	6 154	3 222	11 682
<b>Total sources of capital funds</b>	66 373	48 170	55 146	33 533	35 082	66 187	48 012	55 615



2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus (after Total Expenditure) is positive over the MTREF
- b. Capital expenditure is balanced by capital funding sources, of which
  - i. Transfers recognised is reflected on the Financial Performance Budget;
  - ii. No provision for any borrowing is incorporated in the net cash from financing on the Cash Flow Budget as the municipality anticipates not borrowing over the MTREF;
  - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years, as well as the revenue raised from services provided to the citizens. The amount is incorporated in the Net cash from investing on the Cash Flow Budget.

For Ramotshere Moiloa Local Municipality to continue improving the quality of services provided to its citizens there is a need for the municipality to generate revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality.

The Ramotshere Moiloa Local Municipality is faced with challenges which include amongst others, an increasing population demand for services as the populations and the demographics of the municipality are growing, as well as development backlogs and increasing poverty levels. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation balancing expenditures against available financial resources.

The municipality still needs to develop a revenue strategy which will be built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Identification of new possible revenue sources and the sustainability of such sources
- Increased pressure to deliver and maintain services and recover costs;



**1.7.2 Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Functional Classification Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20		
<b>Revenue - Functional</b>	<b>1</b>											
<b>Governance and administration</b>												
Executive and council		178 457	105 527	180 567	95 247	128 821	-	152 269	168 284	182 453		
Finance and administration		-	27 057	339	52 939	44 347	-	44 677	48 955	52 861		
Internal audit		178 457	78 469	180 228	42 309	84 474	-	107 592	119 329	129 592		
<b>Community and public safety</b>												
Community and social services		-	2 183	1 027	6 253	6 299	-	12 323	10 207	10 359		
Sport and recreation		-	2 183	1 027	1 620	1 666	-	4 783	2 819	2 963		
Public safety		-	-	-	2 972	2 972	-	6 456	6 242	6 185		
Housing		-	-	-	-	-	-	-	-	-		
Health		-	-	-	1 661	1 661	-	1 084	1 146	1 211		
<b>Economic and environmental services</b>												
Planning and development		10 763	60 967	59 625	109 763	110 176	-	101 186	116 915	116 358		
Road transport	4	4	49 394	1 581	38 575	95 410	-	61 173	64 442	54 580		
Environmental protection		10 759	11 573	58 043	71 188	14 766	-	40 012	52 473	61 778		
<b>Trading services</b>												
Energy sources		48 603	91 016	85 199	80 748	49 498	-	112 044	97 555	99 744		
Water management		26 421	49 928	64 914	52 516	36 259	-	69 812	58 601	58 603		
Waste water management		11 261	7 694	11 018	7 076	8 643	-	17 143	18 120	19 134		
Waste management		2 797	27 541	2 106	5 781	2 614	-	11 387	6 348	6 703		
Other	4	8 123	5 853	7 161	15 375	1 982	-	13 703	14 486	15 303		
<b>Total Revenue - Functional</b>	<b>2</b>	<b>237 822</b>	<b>259 693</b>	<b>326 417</b>	<b>292 011</b>	<b>294 794</b>	<b>-</b>	<b>377 821</b>	<b>392 961</b>	<b>408 913</b>		
<b>Expenditure - Functional</b>												
<b>Governance and administration</b>												
Executive and council		56 212	214 835	149 768	169 522	107 479	-	140 772	171 345	184 658		
Finance and administration		34 977	48 438	21 243	37 477	31 077	-	44 677	48 947	52 861		
Internal audit		21 235	166 397	128 524	132 045	76 403	-	96 095	122 398	131 797		
<b>Community and public safety</b>												
Community and social services		3 972	11 156	18 297	5 765	7 747	-	12 163	11 297	11 402		
Sport and recreation		-	11 156	13 073	2 204	1 958	-	4 623	3 908	4 006		
Public safety		3 972	-	5 225	2 665	4 963	-	6 456	6 242	6 185		
Housing		-	-	-	-	-	-	-	-	-		
Health		-	-	-	896	826	-	1 084	1 146	1 211		
<b>Economic and environmental services</b>												
		16 325	26 485	50 653	48 501	99 197	-	113 957	113 560	112 917		

Planning and development		8 163	10 094	35 942	19 722	77 566	54 743	66 337	56 582
Road transport		8 163	16 390	14 710	28 778	21 631	59 214	47 223	56 335
Environmental protection		-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>86 579</b>	<b>35 132</b>	<b>75 544</b>	<b>69 450</b>	<b>81 661</b>	<b>110 929</b>	<b>96 759</b>	<b>99 935</b>
Energy sources		39 761	35 132	41 158	46 856	57 670	76 091	61 137	61 916
Water management		9 153	-	20 082	6 010	9 456	11 335	12 189	13 052
Waste water management		9 030	-	13 073	10 300	11 387	13 887	12 241	13 023
Waste management		28 636	-	1 232	6 284	3 149	9 616	11 191	11 944
<b>Other</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>163 088</b>	<b>287 608</b>	<b>294 262</b>	<b>293 238</b>	<b>296 085</b>	<b>377 821</b>	<b>392 961</b>	<b>408 913</b>
<b>Surplus/(Deficit) for the year</b>		<b>74 735</b>	<b>(27 915)</b>	<b>32 155</b>	<b>(1 227)</b>	<b>(1 291)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

### 1.7.3 Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

NW385 Ramotshere Moiloa - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2013/14			2014/15			2015/16			Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome			Audited Outcome			Audited Outcome			Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
<b>Revenue by Vote</b>	<b>1</b>																
Vote 1 - Executive & Council		-	27 057	339	52 939	44 347	-	-	-	-	44 677	48 955	-	44 677	48 955	52 861	
Vote 2 - Finance & Administration		178 459	78 469	180 228	42 309	84 474	-	-	-	-	99 250	105 614	-	99 250	105 614	108 995	
Vote 3 - Planning & Development		4	49 394	1 055	24 552	17 845	-	-	-	-	16 997	25 679	-	16 997	25 679	13 733	
Vote 4 - Technical Services		40 479	85 163	126 906	123 039	106 814	-	-	-	-	165 960	168 344	-	165 960	168 344	187 122	
Vote 5 - Community & Social Services		18 881	19 609	17 889	49 173	41 314	-	-	-	-	50 937	44 369	-	50 937	44 369	46 202	
<b>Total Revenue by Vote</b>	<b>2</b>	<b>237 822</b>	<b>259 693</b>	<b>326 417</b>	<b>292 011</b>	<b>294 794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377 821</b>	<b>392 961</b>	<b>-</b>	<b>377 821</b>	<b>392 961</b>	<b>408 913</b>	
<b>Expenditure by Vote to be appropriated</b>	<b>1</b>																
Vote 1 - Executive & Council		34 977	48 438	17 960	36 577	31 077	-	-	-	-	44 677	48 947	-	44 677	48 947	52 861	

Vote 2 - Vote 2 - Finance & Administration	21 235	166 397	143 191	132 945	76 403	-	79 822	113 822	122 977
Vote 3 - Vote 3 - Planning & Development	16 325	10 094	2 376	9 554	10 324	-	10 567	25 679	13 733
Vote 4 - Vote 4 - Technical Services	61 908	51 523	88 242	83 343	136 553	-	196 084	156 220	169 121
Vote 5 - Community & Social Services	28 643	11 156	42 494	30 819	41 729	-	46 691	48 293	50 221
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>163 088</b>	<b>287 608</b>	<b>293 238</b>	<b>296 085</b>	<b>-</b>	<b>377 821</b>	<b>392 961</b>	<b>408 913</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>74 735</b>	<b>(27 915)</b>	<b>(1 227)</b>	<b>(1 291)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Vote Description	Ref	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework				
		2013/14	2014/15	2015/16	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Revenue by Vote	1									
Vote 1 - Vote 1 - Executive & Council										
1.1 - Mayor		-	27 057	339	52 939	44 347	-	44 677	48 955	52 861
1.2 - Speaker			-		5 451	5 451		3 962	4 371	4 646
1.3 - Council			-		6 698	6 698		4 738	5 130	5 422
1.4 - Municipal Manager			27 057	339	17 729	17 742		16 155	17 175	18 476
1.5 - Internal Audit					15 656	14 456		10 606	12 503	13 921
1.6 - Municipal Public Accounts Committee					7 405			6 945	7 349	7 771
Vote 2 - Vote 2 - Finance & Administration										
2.1 - 2.1 - Budget & Treasury		178 459	78 469	180 228	42 309	84 474	-	99 250	105 614	108 995
2.2 - 2.2 - Human Resources		178 459	50 748	173 607	28 847	62 663		76 847	81 698	84 026
2.3 - 2.3 - Information Technology		-	27 721	6 621	4 468	12 817		12 265	12 138	12 638
2.4 - 2.4 - Records and Registry					4 115	4 115		4 470	4 753	5 137
2.5 - 2.5 - Labour Relations					3 036	3 036		1 649	4 157	4 250
					1 842	1 842		4 019	2 869	2 944
Vote 3 - Vote 3 - Planning & Development										
3.1 - Local Economic Development		4	49 394	1 055	24 552	17 845	-	16 997	25 679	13 733
3.2 - Integrated Development Plan		4	-	527	10 319	8 546		4 589	4 922	5 263
3.3 - Land Use Management			-							
3.4 - Spatial Planning			-	527					577	609
3.5 - Town Planning			49 394		12 572	7 637		11 324	19 034	6 650
3.6 - Housing					1 661	1 661		1 084	1 146	1 211
Vote 4 - Vote 4 - Technical Services										
4.1 - Electricity		40 479	85 163	126 906	123 039	106 814	-	165 960	168 344	187 122
4.2 - Sewerage Reticulation		26 421	49 928	64 914	52 516	36 259		69 812	58 601	58 603
4.3 - Public Works		2 797	27 541	2 106	5 781	2 614		11 387	6 348	6 703
4.4 - Project Management Unit					18 089	17 955		16 269	17 204	18 093
4.5 - Municipal Buildings				48 868	33 837	35 610		45 260	39 910	42 058
					2 230	2 233		217	5 368	12 019



4.7 - Water		22 148	-	473	6 010	9 456	11 335	12 189	13 052
<b>Vote 5 - Community &amp; Social Services</b>									
Parks and Sports		28 643	11 156	42 494	30 819	41 729	46 691	48 293	50 221
Streets		3 972		5 225	2 665	6 338	6 456	6 242	6 185
Traffic				14 185	1 400	4 963	3 501	3 703	3 916
Cemeteries		15 641	11 156	3 771	13 142	3 149	17 871	18 605	19 508
Libraries				13 073	324	17 595	1 879	1 713	1 852
Refuse		9 030		120	1 880	367	2 744	2 195	2 155
5.7 - Security Services				6 121	4 884	1 590	6 115	7 488	8 028
<b>Total Expenditure by Vote</b>	2	163 088	287 608	294 262	293 238	296 085	377 821	392 961	408 913
<b>Surplus/(Deficit) for the year</b>	2	74 735	(27 915)	32 155	(1 227)	(1 291)	-	-	-

### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 above, is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means that, it is possible to present a deficit or a surplus in a municipal vote.

### 1.7.4 Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework					
		2013/14	2014/15	2015/16	Original Budget	Adjusted Budget	Budget Year 2017/18
<b>R thousand</b>	<b>1</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>			<b>Budget Year +1 2018/19</b>
<b>Revenue By Source</b>							<b>Budget Year +2 2019/20</b>
Property rates	2	19 848	21 843	42 358	24 700	29 934	44 069
Service charges - electricity revenue	2	24 756	45 243	48 407	52 381	59 477	70 958
Service charges - water revenue	2	10 203	7 694	7 718	7 076	8 643	15 480
Service charges - sanitation revenue	2	2 393	2 000	2 106	5 781	2 614	7 262
Service charges - refuse revenue	2	6 458	5 853	5 875	8 053	8 134	11 024
Service charges - other							



Attributable to minorities									
Surplus/(Deficit) attributable to municipality		74 734	(27 915)	32 155	(1 227)	(12 432)	66 187	48 012	55 615
Share of surplus/ (deficit) of associate		7							
Surplus/(Deficit) for the year		74 734	(27 915)	32 155	(1 227)	(12 432)	66 187	48 012	55 615

#### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. The Ramotshere Moiloa Local Municipality is 54.22% reliant on grants to fund its OPEX. It is further 90.7% reliant on the funding of its CAPEX. The current financial situation whereby the municipality is almost wholly reliant on the grants is not sustainable and the service delivery challenges will remain a worrisome factor for a prolonged period.

#### 1.7.5 Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

NW385 Ramotshere Moiloa - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework			
		2013/14	2014/15	2015/16	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget			Budget Year +1 2018/19	Budget Year +2 2019/20





District Municipality												
Other transfers and grants												
Transfers recognised - capital	4	60 580	47 468	52 732	31 914	33 732	-	-	60 033	44 790	43 933	
Public contributions & donations	5											
Borrowing	6	5 793	702	2 414	1 619	1 350			6 154	3 222	11 682	
Internally generated funds		66 373	48 170	55 146	33 533	35 082	-	-	66 187	48 012	55 615	
Total Capital Funding	7											

### Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital budget estimates in relation to capital expenditure by municipal vote. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations, however, only single year projections are appropriated on this table. The capital expenditure is here presented by vote, standard classification as well as the relevant funding sources that will fund it.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year. The budget appropriations for the two outer years are indicative allocations based on the departmental estimates as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital programme is funded from grants and transfers, and small portion of the operating revenue.

### 1.7.6 Table A6 - Budgeted Financial Position

Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework					Budget Year	
		2013/14	2014/15	2015/16	Original Budget	Adjusted Budget	2017/18	+1 2018/19
R thousand		Audited Outcome	Audited Outcome	Audited Outcome				+2 2019/20
ASSETS								
Current assets								

Cash		3 779	4 757	6 753	33 399	29 690	-	-	-
Call investment deposits	1	1 342	15 370	2 103	15 000	-	17 300	19 030	20 933
Consumer debtors	1	41 426	14 293	38 768	62 786	150 908	89 349	99 252	110 223
Other debtors		4 909	3 839	3 941	4 383	4 383	-	-	-
Current portion of long-term receivables	2	41 291	44 772	868	4 086	4 086	-	-	-
Inventory				31 701	47 727	47 727	-	-	-
<b>Total current assets</b>		<b>92 747</b>	<b>83 032</b>	<b>84 135</b>	<b>167 382</b>	<b>236 794</b>	<b>106 649</b>	<b>118 282</b>	<b>131 156</b>
<b>Non current assets</b>									
Long-term receivables							-	-	-
Investments					2 151	2 151	-	-	-
Investment property		19 121	19 051	18 980	20 308	324	-	-	-
Investment in Associate							-	-	-
Property, plant and equipment	3	538 577	547 944	570 679	575 341	575 341	62 878	45 612	52 834
Agricultural							-	-	-
Biological							-	-	-
Intangible		3 033	3 470	3 635	3 699	3 699	-	-	-
Other non-current assets		405	405	405			-	-	-
<b>Total non current assets</b>		<b>561 136</b>	<b>570 869</b>	<b>593 698</b>	<b>601 499</b>	<b>581 514</b>	<b>62 878</b>	<b>45 612</b>	<b>52 834</b>
<b>TOTAL ASSETS</b>		<b>653 883</b>	<b>653 901</b>	<b>677 833</b>	<b>768 880</b>	<b>818 308</b>	<b>169 527</b>	<b>163 893</b>	<b>183 991</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft	1						-	-	-
Borrowing	4	5 911	1 601	1 448	859	859	-	-	-
Consumer deposits		1 180	1 357	1 676	1 447	1 447	-	-	-
Trade and other payables	4	68 365	78 069	72 805	153 408	31 000	27 549	30 304	33 334
Provisions		4 992	1 769	1 426	1 016	1 016	-	-	-
<b>Total current liabilities</b>		<b>80 449</b>	<b>82 796</b>	<b>77 355</b>	<b>156 730</b>	<b>34 322</b>	<b>27 549</b>	<b>30 304</b>	<b>33 334</b>
<b>Non current liabilities</b>									
Borrowing		6 534	5 558	4 699	4 697	4 697	580	580	580
Provisions		37 582	51 735	59 081	34 659	34 659	53 139	57 074	61 402
<b>Total non current liabilities</b>		<b>44 116</b>	<b>57 293</b>	<b>63 780</b>	<b>39 356</b>	<b>39 356</b>	<b>53 719</b>	<b>57 654</b>	<b>61 982</b>
<b>TOTAL LIABILITIES</b>		<b>124 565</b>	<b>140 089</b>	<b>141 135</b>	<b>196 086</b>	<b>73 678</b>	<b>81 268</b>	<b>87 958</b>	<b>95 317</b>
<b>NET ASSETS</b>	5	<b>529 318</b>	<b>513 812</b>	<b>536 698</b>	<b>572 794</b>	<b>744 630</b>	<b>88 259</b>	<b>75 935</b>	<b>88 674</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)		529 318	513 812	536 698	572 794	744 630	66 187	48 012	55 615
Reserves	4	-	-	-	-	-	22 072	27 923	33 059
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>529 318</b>	<b>513 812</b>	<b>536 698</b>	<b>572 794</b>	<b>744 630</b>	<b>88 259</b>	<b>75 935</b>	<b>88 674</b>

### **Explanatory notes to Table A6 - Budgeted Financial Position**

1. MBRR Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting". The order of items within each group illustrates items in the order of liquidity.
3. MBRR Table A6 contains mainly the following items:
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions noncurrent;
  - Changes in net assets, and
  - Reserves
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. Therefore any budget assumptions are critical as they form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed by directly forecasting the statement of financial position.
5. Reserves as presented in the above table are not cash backed. These are indicative amounts by which the movements in assets occurred. The Accumulated surplus is just an accounting figure used to calculate the value of the municipality in line with GRAP 1, it does not have any financial backing attached, therefore there are no monetary cash amounting to the value attached to the accumulated surplus.



**1.7.7 Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2013/14	2014/15	2015/16	2017/18 Medium Term Revenue & Expenditure Framework			Budget Year +1 2018/19	Budget Year +2 2019/20
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2017/18		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property rates		18 000	21 843	42 358	18 772	45 079	34 894	35 353	35 822
Service charges		42 089	58 383	39 650	64 490	45 108	81 864	86 531	91 376
Other revenue		97 772	14 377	6 437	69 509	78 036	9 074	9 646	10 187
Government - operating	1	92 713	135 078	138 639	130 053	129 053	140 784	155 172	163 288
Government - capital	1	30 495	53 387	43 182	35 460	35 460	60 033	44 790	43 933
Interest		34	741	1 229	1 068	126	683	649	698
Dividends					-		-	-	-
<b>Payments</b>									
Suppliers and employees		(222 384)	(222 566)	(224 755)	(223 796)	(239 908)	(202 920)	(239 105)	(235 647)
Finance charges		(1 309)	(2 014)	(1 967)	(1 285)	(1 285)	(580)	(585)	(600)
Transfers and Grants	1				(11 054)	(6 375)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>57 389</b>	<b>59 230</b>	<b>44 753</b>	<b>83 217</b>	<b>85 295</b>	<b>123 831</b>	<b>92 451</b>	<b>109 056</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE		20		188			-	-	-
Decrease (increase) in non-current debtors				(165)			-	-	-
Decrease (increase) other non-current receivables							-	-	-
Decrease (increase) in non-current investments							-	-	-
<b>Payments</b>									
Capital assets		(66 373)	(39 628)	(55 146)	(33 533)	(35 082)	(66 778)	(66 187)	(55 615)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(66 353)</b>	<b>(39 628)</b>	<b>(55 123)</b>	<b>(33 533)</b>	<b>(35 082)</b>	<b>(66 778)</b>	<b>(66 187)</b>	<b>(55 615)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans							-	-	-
Borrowing long term/refinancing				(845)			-	-	-
Increase (decrease) in consumer deposits							-	-	-
<b>Payments</b>									
Repayment of borrowing		(11 437)	(5 266)	(167)	(1 285)	(2 055)	(580)	(585)	(600)



Total Application of cash and investments:	(23 270)	53 515	40 870	(9 461)	(180 995)	(36 476)	(36 154)	(41 218)
Surplus(shortfall)	28 390	(33 387)	(32 014)	60 011	212 835	53 776	55 184	62 151

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2017/2018 Budget and MTREF is funded.

**1.7.9 Table A9 - Asset Management**

Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework						
		2013/14	2014/15	2015/16	Original Budget	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand		Audited Outcome	Audited Outcome	Audited Outcome				
CAPITAL EXPENDITURE								
<b>Total New Assets</b>	1	66 373	48 170	-	33 533	66 187	48 012	55 615
Roads Infrastructure		60 580	38 926	-	31 914	43 294	39 790	41 933
Storm water Infrastructure		-	-	-	120	-	-	-
Electrical Infrastructure		-	-	-	-	18 000	3 700	2 000
Water Supply Infrastructure		-	-	-	-	2 350	2 491	2 637
Sanitation Infrastructure		-	8 542	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	260	-	-
Rail Infrastructure		-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-
<b>Infrastructure</b>		60 580	47 468	-	32 034	63 904	45 981	46 570
Community Facilities		-	2	-	-	1 212	496	772
Sport and Recreation Facilities		-	-	-	-	250	-	-
<b>Community Assets</b>		-	2	-	-	1 462	496	772
<b>Heritage Assets</b>		-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-











Licences and Rights	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	1 095	-	-
Libraries	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>32 522</b>	<b>44 711</b>	<b>-</b>	<b>10 871</b>	<b>42 203</b>	<b>49 062</b>	<b>48 719</b>		
<i>Renewal and upgrading of Existing Assets as % of total capex</i>	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%	0.0%	0.0%	
<i>Renewal and upgrading of Existing Assets as % of deprecn R&amp;M as a % of PPE</i>	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	0.0%	
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>	0.9%	1.1%	0.0%	0.8%	19.4%	38.5%	29.6%	22.0%	
	1.0%	1.0%	0.0%	3.0%	18.0%	26.0%			

R thousand	Description	Ref	2013/14		2014/15		2015/16		Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure					
			Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20					
1	<b>CAPITAL EXPENDITURE</b>																
	<b>Total New Assets</b>		132 249	150 979	194 536	194 536	325 756	426 604	426 604	426 604	426 604	396 026	414 266				
	Water Supply Infrastructure		129 673	149 427	192 947	192 947	325 756	424 708	424 708	424 708	424 708	393 844	413 736				
	Infrastructure		129 673	149 427	192 947	192 947	325 756	424 708	424 708	424 708	424 708	393 844	413 736				
	Other Assets		-	-	-	-	-	-	-	-	-	-	-				
	Services		-	-	-	-	-	-	-	-	-	-	-				
	Licences and Rights		471	8	-	-	-	-	-	-	-	1 059	1 059				
	Intangible Assets		471	8	-	-	-	-	-	-	-	1 059	1 059				
	Computer Equipment		-	-	-	-	-	-	-	-	-	-	-				
	Furniture and Office Equipment		840	820	1 007	1 007	-	1 222	1 222	1 222	1 222	1 072	450				
2	<b>Total Renewal of Existing Assets</b>		567	724	116	116	-	674	674	674	700	50	80				
	Machinery and Equipment		567	724	116	116	-	674	674	674	700	50	80				
	Transport Assets		698	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	<b>Total Renewal of Existing Assets</b>		3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	Roads Infrastructure		-	-	-	-	-	-	-	-	-	-	-				
	Investment properties		-	-	-	-	-	-	-	-	-	-	-				
	Operational Buildings		3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	Housing		-	-	-	-	-	-	-	-	-	-	-				
	Other Assets		3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	4	<b>Total Capital Expenditure</b>		129 673	149 427	192 947	192 947	325 756	424 708	424 708	424 708	424 708	393 844	413 736			
Water Supply Infrastructure			-	-	-	-	-	-	-	-	-	-	-				
Sanitation Infrastructure			-	-	-	-	-	-	-	-	-	-	-				
Solid Waste Infrastructure			-	-	-	-	-	-	-	-	-	-	-				
Infrastructure			129 673	149 427	192 947	192 947	325 756	424 708	424 708	424 708	424 708	393 844	413 736				
Community Facilities			-	-	-	-	-	-	-	-	-	-	-				
Investment properties			-	-	-	-	-	-	-	-	-	-	-				
Operational Buildings			3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
Housing			-	-	-	-	-	-	-	-	-	-	-				
Other Assets			3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
5	<b>Total Capital Expenditure - Asset class</b>		471	8	-	-	-	-	-	-	-	1 059	1 059				
	Intangible Assets		471	8	-	-	-	-	-	-	-	1 059	1 059				
	Computer Equipment		-	-	-	-	-	-	-	-	-	-	-				
	Furniture and Office Equipment		840	820	1 007	1 007	-	1 222	1 222	1 222	1 072	450					
	Machinery and Equipment		567	724	116	116	-	674	674	674	700	50	80				
	Transport Assets		698	-	466	466	-	674	674	674	700	50	80				
	<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		136 062	154 779	198 476	198 476	329 582	430 430	430 430	430 430	430 430	400 118	418 646				
	<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>																
	Water Supply Infrastructure		1 628 606	1 788 953	1 937 173	1 937 173	1 873 527	2 391 521	2 391 521	2 391 521	2 391 521	2 777 358	3 188 306				
	Infrastructure		1 628 606	1 788 953	1 937 173	1 937 173	1 873 527	2 391 521	2 391 521	2 391 521	2 391 521	2 777 358	3 188 306				
7	<b>EXPENDITURE OTHER ITEMS</b>		3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	Investment properties		-	-	-	-	-	-	-	-	-	-	-				
	Operational Buildings		3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	Housing		-	-	-	-	-	-	-	-	-	-	-				
	Other Assets		3 813	3 800	3 940	3 940	3 826	3 826	3 826	3 826	3 826	4 094	4 380				
	Licences and Rights		1 147	1 061	965	965	1 258	1 258	1 258	1 258	1 258	1 440	1 541				
	Intangible Assets		1 147	1 061	965	965	1 258	1 258	1 258	1 258	1 258	1 440	1 541				
	Computer Equipment		28 376	2 205	2 258	2 258	-	-	-	-	-	-	-				
	Furniture and Office Equipment		1 205	1 205	959	959	-	-	-	-	-	-	-				
	Machinery and Equipment		2 231	1 794	1 794	1 794	-	-	-	-	-	-	-				
3	<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>		1 659 942	1 824 679	1 969 822	1 969 822	1 878 611	2 396 605	2 396 605	2 396 605	2 399 239	2 782 892	3 194 227				
	Transport Assets		10 591	8 523	8 523	8 523	-	-	-	-	-	-	-				
	<b>EXPENDITURE OTHER ITEMS</b>																
	Depreciation		38 249	42 049	37 215	37 215	21 020	39 076	39 076	39 076	47 243	51 896	57 009				
	Repairs and Maintenance by Asset Class		1 515	5 740	1 710	1 710	3 169	715	715	715	1 335	1 430	1 530				
	Water Supply Infrastructure		1 515	5 740	1 710	1 710	3 169	715	715	715	1 335	1 430	1 530				
	Infrastructure		1 515	5 740	1 710	1 710	3 169	715	715	715	1 335	1 430	1 530				
	<b>TOTAL EXPENDITURE OTHER ITEMS</b>		39 764	47 789	38 925	38 925	24 189	39 791	39 791	39 791	48 578	53 326	58 539				
	<b>Renewal and upgrading of Existing Assets as % of total capex</b>		2.6%	2.5%	2.0%	2.0%	1.2%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%				
	<b>Renewal and upgrading of Existing Assets as % of total capex</b>		10.0%	9.0%	10.6%	10.6%	18.2%	9.8%	9.8%	8.1%	7.9%	7.9%	7.7%				

**Explanatory notes to Table A9 - Asset Management**

**Table A9** provides an overview of municipal capital allocations to building new assets, no renewal of existing assets is provided for.

# Part 2

## OTHER SUPPORTING INFORMATION

## **2.1 Overview of the Annual Budget Process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

### **2.1.1 The Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and Budget Time schedule on 03 September 2016 and the schedule with key deadlines was approved by council during that meeting.

### **2.1.2 Community Consultation on the Draft Budget**

The draft 2017/18 MTREF, was tabled during a Special Council meeting dated 31 March 2017 whereby community members were present. Furthermore, a Mayoral Roadshow on the budget was planned for May 2017 and was executed even though with serious challenges as there were community unrests at the same time.

### **2.1.3 IDP and Service Delivery and Budget Implementation Plan**

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:-

- Registration of community needs;
- Compilation of departmental business plans with key performance indicators and targets;



- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/2017 MTREF, mid-year review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

## **2.2 Overview of Alignment of the Annual Budget with the IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals.

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18

MTREF and further planning refinements that have directly informed the compilation of the budget:

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above. In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

## **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance

Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

## **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks. Additional to the MFMA and the Municipal Budget and Reporting Regulations, the following policies are used to guide the budget process:-

### **2.4.1 Asset Management Policy**

The Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the revenue base.

### **2.4.2 Budget Policy**

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### **2.4.3 Supply Chain Management Policy**

The revised SCM Policy which incorporates the new PPPFA regulations will be tabled to the Council meeting together with this draft budget.

#### **2.4.4 Investment & Cash Management Policy**

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.5 Overview of budget assumptions**

#### **2.5.1 External factors**

The effects of recession are still evident. After a protracted hike in the interest rates, this increased recently. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

#### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration.

#### **2.5.3 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality chiefly engages in amortisation-style loans requiring both regular principal and interest payments. Surplus cash is invested and re-invested at short intervals.

#### **2.5.5 Salary increases**

Salary increases were based on the proposed increase as per the MFMA budget circular.

## **2.5.6 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## **2.5.7 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at 100 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2017/18 MTREF.

## **2.6 Overview of budget funding**

### **2.6.1 Medium-term outlook: operating revenue**

Investment revenue contributes marginally to the revenue base. It needs to be noted that these allocations have been conservatively estimated. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

### **2.6.2 Medium-term outlook: capital revenue**

The municipality did not raise new loans, however, the municipality is still servicing old loans from the DBSA, which arose as demarcation liabilities between the Southern and the then Bophirima District Municipalities.

### **2.6.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the actual collection rate of billed revenue.

### **2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation**

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation below meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year? • How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that is available. A shortfall (applications cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded' It is also important to analyse trends to understand the

consequences. Small cash surpluses have been realised over the past three years, which is inevitably utilised to finance operations. No meaningful growth in cash has occurred. The working capital has to be optimally managed.



**Municipal Manager's Quality Certificate**  
**RAMOTSHERE MOILOA LOCAL MUNICIPALITY**  
**MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

I **OLEBOGENG ABEL MONCHUSI**, Acting Municipal Manager of Ramotshere Moiloa Local Municipality, hereby certify that this Operating and Capital Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2017/2018 Operating And Capital Budget and the MTREF and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: **OLEBOGENG ABEL MONCHUSI**

Acting Municipal Manager of Ramotshere Moiloa Local Municipality

Signature: \_\_\_\_\_

Date: 06 June 2017